

**MINUTES
of the
SECOND MEETING
of the
MORTGAGE FINANCE AUTHORITY ACT
OVERSIGHT COMMITTEE**

**July 11, 2012
Mortgage Finance Authority Office
344 Fourth St. SW
Albuquerque, New Mexico**

The second meeting of the Mortgage Finance Authority (MFA) Act Oversight Committee was called to order by Senator Nancy Rodriguez, chair, at 10:19 a.m. on July 11, 2012 at the office of the MFA in Albuquerque, New Mexico.

Present

Sen. Nancy Rodriguez, Chair
Rep. Alonzo Baldonado
Sen. Mark Boitano
Rep. Ernest H. Chavez
Rep. Nate Gentry
Sen. Cisco McSorley
Sen. Gerald Ortiz y Pino

Absent

Rep. Joni Marie Gutierrez, Vice Chair

Advisory Members

Sen. Rod Adair
Rep. Thomas A. Anderson
Rep. Roberto "Bobby" J. Gonzales
Rep. Sandra D. Jeff
Rep. Rick Little
Sen. Lynda M. Lovejoy
Rep. James Roger Madalena
Sen. Richard C. Martinez
Sen. Sander Rue
Sen. David Ulibarri

Rep. Dennis J. Roch

Staff

Claudia Armijo, Staff Attorney, Legislative Council Service (LCS)
Sharon Ball, Senior Researcher, LCS

Guests

The guest list is in the meeting file.

Handouts

Copies of all handouts and written testimony are in the meeting file.

Wednesday, July 11

Call to Order

Senator Rodriguez welcomed members of the committee, staff and guests to the meeting. She advised members that the meeting would be video webcast and reminded them to keep sidebar conversations to a minimum to avoid noise interference with the webcast.

Approval of the June 11, 2012 Minutes

On a motion by Senator Ortiz y Pino, seconded by Representative Chavez, the minutes of the June 11, 2012 meeting were approved without objection.

2012 State of Housing Update

Senator Rodriguez recognized Joseph Montoya, deputy director of programs, MFA, to present the 2012 state of housing update. Mr. Montoya welcomed committee members, staff and guests and explained that, due to a prior commitment, Jay Czar, executive director, MFA, would not be able to attend the July 11 meeting and that he sends his regrets.

Mr. Montoya told the committee that, in January 2011, the Workforce Solutions Department (WSD) reported an unemployment rate of 8.7 percent but that by May 2012, the seasonally adjusted unemployment rate was 6.7 percent, down from 6.9 percent in April 2012 and from 7.5 percent in May 2011. At the same time, the national unemployment rate increased to 8.2 percent.

He said that the over-the-year job growth rate, comparing May 2012 with May 2011, was a negative 0.2 percent, representing a loss of 1,500 jobs. He noted that the effects of the national recession pushed New Mexico job growth into negative territory for all but one month between November 2008 and July 2011. Employment for May 2012 increased over the year in four industries, decreased in seven and remained unchanged in two.

Mr. Montoya explained that homeownership rates are showing an improving trend but are far from where they were before the effects of the economic downturn. For example, he pointed out the following homeownership rates from U.S. Census Housing Vacancies and Homeownership data:

New Mexico:	2009 - 69.1 percent	2010 - 69.5 percent	2011 - 72.8 percent	2012 - 68.0 percent
National:	2009 - 67.4 percent	2010 - 66.9 percent	2011 - 66.1 percent	2012 - 65.4 percent.

Regarding foreclosure rates, Mr. Montoya noted a small positive trend. He said that according to RealtyTrac, as of May 2012, the six-month trend in foreclosures in New Mexico is falling, with 700 total foreclosures in June 2011, a high of 1,195 in August 2011 and back down

to 749 in May 2012. In terms of national foreclosure rates, Mr. Montoya reported that filings are down two percent for the first quarter of 2012 and down 16 percent from the first quarter of 2011. He said that the first quarter of 2012 had the lowest quarterly total since the fourth quarter of 2007. He noted a May 2012 increase in foreclosures of nine percent from April 2012, but still down four percent from May 2011.

He directed committee members' attention to Tab 1 of the meeting notebook, specifically to a graph showing a New Mexico comparison of foreclosures in the two hardest hit cities and counties against the New Mexico and national numbers. The graph depicted the following foreclosure rates:

Rio Rancho	0.32 percent
Sandoval County	0.24 percent
Albuquerque	0.13 percent
Bernalillo County	0.13 percent
New Mexico	0.08 percent
National	0.15 percent

Mr. Montoya also directed members' attention to a second report, behind Tab 1 of the meeting notebook, from The Joint Center for Housing Studies of Harvard University entitled "The State of the Nation's Housing 2012". He suggested that members may wish to read the entire report included in their committee notebooks but that, in the interest of saving time, he would note some of the more salient points in the article. He said that housing markets are showing signs of reviving in that home sales are strengthening, and a floor is beginning to form under home prices. He said that, with new home inventories at record lows, unless the broader economy goes into a tailspin, stronger sales should further stabilize prices and pave the way for an increase in single-family housing construction over the course of this year.

Continuing, Mr. Montoya noted that rental markets are looking up, thanks in part to a decrease in new-home construction and an increase of 4.4 million renters since 2005. Rental vacancy rates are falling, rents are increasing and multifamily construction is up while national homeownership rates continue to fall. He said that surveys consistently show that the vast majority of young adults plan to own a home in the future, but they have waited in hopes that the job market would improve and that home prices would stop falling. In summary, he said that with rents up, home prices down and mortgage interest rates at record lows, monthly mortgage costs related to monthly rents have not been this favorable since the early 1970s.

In response to committee discussion and questions, Mr. Montoya noted that the number of households spending more than one-half of their income on housing is reaching record heights because many homeowners are not able to refinance, because of rising rent costs and because of high unemployment. He noted that between 2007 and 2010, the number of U.S. households paying more than half their income for housing rose by 2.3 million, bringing the total to a record high of 20.2 million. Also, in response to a question about the lack of capital to build new

houses, Mr. Montoya noted that funding from Freddie Mac and Fannie Mae has "dried up".

Update of 2012 Legislative Agenda

In response to committee requests from the June meeting, Mr. Montoya directed members' attention to the information behind Tab 2 in the meeting notebook relating to the committee's 2012 endorsed legislation. He reminded the committee that during the June meeting, MFA staff and committee members had discussed committee-endorsed legislation that had passed, but members had also requested an overview of committee-endorsed legislation that did not pass, including the following:

- SB 175, sponsored by Senator Mary Kay Papen, would have appropriated \$250,000 to ensure that regional housing authorities assist low-income households in areas in which there are simply no other housing service providers;
- SB 194, sponsored by Senator Papen, would have amended the Regional Housing Law to transfer all oversight responsibilities for regional housing authorities to the Department of Finance and Administration, since it receives its annual operating budget through the regular state appropriations process;
- SB 78, sponsored by Senator Rodriguez, would have appropriated \$5 million from the general fund that would have leveraged approximately \$48 million and created more than an estimated 325 homes and thousands of jobs;
- SB 92, cosponsored by Senator Martinez and Representative Gonzales, would have appropriated \$1 million from the general fund to enable EnergySmart Program providers to weatherize 200 homes for low-income people and would have created dozens of jobs;
- SB 38, sponsored by Senator Ortiz y Pino, would have appropriated \$1 million from the general fund to enable service providers to conduct hundreds of pre-purchase homebuyer education classes throughout New Mexico and provide individualized counseling and foreclosure mitigation; and
- SB 89, sponsored by Senator Martinez, would have appropriated \$500,000 from the general fund to enable service providers to assist between 150 and 300 low-income New Mexico families to help pay for minor repairs, including roof repair and replacement as well as accessibility modifications for households in which one or more family members has a disability.

New Mexico Housing Trust Fund Update

Linda Bridge, director of housing development, MFA, directed committee members' attention to Tab 3 in the members' meeting notebooks for an update on the New Mexico Housing Trust Fund. She reminded members that the New Mexico Housing Trust Fund was created in 2005 and that since that time, New Mexico taxpayers have realized a tremendous return on their investment in the state's economy, education and health.

Ms. Bridge reported that the New Mexico Housing Trust Fund has received \$15 million in appropriations, including \$3 million from the 2012 legislature that should become available

this summer. She explained that through a competitive application process, the MFA has awarded all \$15 million, plus a portion of investment interest of \$3.2 million and repayments totaling \$7.4 million, to 32 housing projects for a total of \$23 million. She said that these dollars have leveraged approximately \$227 million in other funding sources and, when complete, will result in 1,503 new and rehabilitated housing units throughout New Mexico. In other words, she said, the state has appropriated \$15 million but gained housing investments worth an estimated \$251 million, which is a 15-to-1 return on the state's investment.

Tour of Downtown Albuquerque Low-Income Housing Projects

The committee adjourned at 10:48 a.m. so that members could participate in a tour of several new downtown Albuquerque low-income housing projects. Committee members and the following MFA staff participated in the tour: Ms. Bridge; Dan Puccetti, program manager; Mr. Montoya; Gina Hickman, deputy director of finance and administration; Felipe Rael, program manager; Leann Kemp, communications manager; Erik Nore, director of homeownership; and Sandra Marez, executive assistant.

Committee members took a driving tour past two housing projects and were able to take a walking tour of two additional projects.

The projects on the driving tour included the Barelás Homes, located in the vicinity of Atlantic Avenue and Second Street, and Villa de San Felipe, on Coal Avenue between Fifth and Eighth Streets.

Members learned that the Barelás Homes project includes 14 stand-alone homes of new construction completed between 2005 and 2007 with four more homes to be built for work force housing when the market improves. The Greater Albuquerque Housing Partnership is the developer, with funding sources for construction that include the MFA Housing Trust Fund loan, a City of Albuquerque Urban Development Action Grant (UDAG) loan, other City of Albuquerque funds from federal block grant (HOME) funds, the Bank of Albuquerque, Wells Fargo Bank and a developer contribution, for a total development cost of approximately \$3.9 million. Homes include three unit types: (1) two bedrooms, two baths, 950 square feet (sf), at a sale price of \$147,900 (three units built and sold); (2) three bedrooms, two baths, 1,350 sf, at a sale price of \$177,900 (nine units built and sold); and (3) three bedrooms, two-and-a-half baths, 1,550 sf, at a sale price of \$189,900 (six units unsold). The targeted income level for these homes is 100 percent at or below 80 percent of median income.

The second project on the driving tour was the Villa de San Felipe, another new construction apartment project of 161 total units. Completion date was the winter of 2001, and the developer was GSL Partners. The project includes 76 studio apartments, 53 one-bedroom apartments with one bath, 16 two-bedroom apartments with one bath and 16 apartments with two bedrooms and two baths. Forty-one percent, or 65 units, are designated at 60 percent of median income, and 59 percent, or 95 units, are designated at market rate. The project includes one manager's unit. Sources of funds included MFA Tax Credit Equity funds, MFA First Mortgage

(Risk Sharing), the City of Albuquerque and a deferred developer fee for a total of \$9.6 million.

Committee members were able to take a walking tour of the third project on the tour, a 72-unit single room occupancy (SRO) facility called "Downtown @ 700-2nd", located on the corner of Second Street and Lomas Boulevard in downtown Albuquerque. Committee members learned that targeted income levels for these units include five units at or below 60 percent of median income; 27 units at or below 50 percent of median income; nine units at or below 40 percent of median income; 18 units at or below 30 percent of median income; and 13 units at a market rate of approximately \$450 per month. The \$12.6 million in total development cost included an MFA Housing Trust Fund construction loan, an MFA Land Title Trust Fund grant, an MFA Pre-Development Grant, and MFA Tax Credit Assistance Program loan, an Enterprise Green Communities grant, a federal HUD Continuum of Care grant, a State of New Mexico capital outlay grant, a City of Albuquerque land donation, a City of Albuquerque Workforce Housing grant, energy tax credit proceeds and low-income housing tax credit equity. Committee members were able to visit one of the SRO units while tour guides explained that many residents come to this facility as their first residence after having been homeless for varying lengths of time. Completed in the spring of 2010 with the Supportive Housing Coalition of New Mexico as the developer, the project features new construction.

The final stop on the tour was Phase 1 (completed in the spring of 2010) of the Silver Gardens project at 100 Silver Avenue SW. Phase 2 is scheduled for completion in 2012. Committee members were able to visit one of the two-bedroom units. The project consists of 16 studios, 82 one-bedroom units and 23 two-bedroom units. Targeted income is 16 units at or below 30 percent of median income; 38 units at or below 50 percent of median income; 38 units at or below 60 percent of median income; and 20 units at market rate.

Sources of the Silver Gardens Phase 1 funding of \$13.3 million in total development costs include a Los Alamos National Bank construction loan, an MFA Housing Trust Fund construction loan, an MFA First Mortgage ACCESS loan, income from operations, a Carbon Offsets grant, an Enterprise Green Communities grant, a City of Albuquerque UDAG grant, a Home Depot grant, a State of New Mexico capital outlay grant, HDIC Development Rights, a City of Albuquerque land donation, a City of Albuquerque Workforce Housing grant, Federal Home Loan Bank, USGBC and low-income housing tax credit equity. The developer is Romero Rose LLC and the Supportive Housing Coalition of New Mexico.

The tour ended at approximately 12:30 p.m.